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Rural Lines

RURAL ELECTRIFICATION ADMINISTRATION • U. S. DEPARTMENT OF AGRICULTURE

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New Secretary Of Agriculture **ORVILLE L. FREEMAN**

TELEPHONE SERVICE—BY GEORGE
(page 3)



A Message from the

ADMINISTRATOR

Recently we notified all REA's electric borrowers that, beginning this year, they no longer will be required to submit operating reports to REA on a monthly or quarterly basis. Only a single annual report will have to be filed for 1961 and for subsequent calendar years.

By reducing reporting requirements, we are recognizing the growing financial stability of our electric borrowers. We also are cutting a lot of paper shuffling at REA. In most cases, it is no longer necessary for REA to review monthly or quarterly reports to safeguard loan security. In special cases, if interim information is needed, the borrower concerned will be asked to supply it.

However, I have urged all electric co-op managers to continue to prepare comprehensive monthly reports for the use of officers and directors. Such reports should include a summary of revenues and expenses, a balance sheet, sales data, and any statistical information useful in reviewing or controlling operations.

While REA may not have to look at electric borrowers' reports as frequently as before, the boards of directors do. After all, it is the directors, and not REA, who are responsible for running the affairs of their co-ops and PPD's. If I were still a co-op director, I'd insist on having all the facts and figures at hand in order to make the right decisions about my co-op's future.

Rural Lines

David G. Hamill
Administrator.

June E. Panciera, Editor.

Contributors to this issue: Hubert Kelley, Jr., Lucile Holmes, Barton Stewart, Louisian Mamer, Bernard Krug, Ray Zook.

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Telephone Service ... by George

IF a stranger asks a resident of Lexington, S. C., where he can find Mr. George of the Citizens Telephone Company, the answer may be another question: "Which Mr. George? Mr. Samuel B., Mr. Sam A., or Sam A. Junior?"

This company, an REA borrower since 1951, was organized in its present form in 1905. However, Mr. Samuel Bolivar George built the first lines and inaugurated telephone service for the citizens of Lexington in the late 1890's—he's not quite sure of the year. His son, Sam A., took over in 1946 and is now President and Manager, although the first Mr. George still is active as Secretary-Treasurer. His grandson, Sam A. Junior, is central office man, and is rapidly learning all phases of the business in which he grew up.

Their ages range from 90 to 23, but in general aspect there is great similarity. All three of the Georges are tall, slim, and distinguished in appearance. The past 9 decades have hardly bowed the shoulders of the elder Mr. George. On the occasion of his meeting with the RURAL LINES reporter, he remarked that he was feeling a little below par, saying that old age seemed to have overtaken him that day. He then disproved his own words in a long and lively reminiscence of his early days and those of the company. He then drove away in his car, later returning with a history of South Carolina residents in which his biography appears.

It was easy to visualize the vigorous and enthusiastic young man who started the company more than 60 years ago, cutting the poles and stringing the lines himself.

Recalling the beginnings of the Citizens Telephone Company, Mr. George tells of visiting friends in the West in the nineties and seeing telephone lines under construction. Realizing that his home town needed telephone service—and knowing that the company serving that part of the State refused to come into Lexington—he started building lines soon after his return home. The telephone business is only one of several in which Mr. George has been active. He was for some years clerk of Lexington County Court; he has been a cotton grower, a horse breeder, an oil distributor, and president of the Lexington Home National Bank.

Foreseeing the growth and development of Lexington, both town and county, and realizing that good telephone service would be an important factor, this pioneer citizen made a valiant effort to provide it. He recalls that early in this century the Citizens Telephone Company installed what he believes was the first dial exchange in South Carolina. However, the connecting companies were not then agreeable to providing the type of equipment needed for interoffice trunks between his company and connecting offices. Therefore, he went back to manually operated



Three generations of the George family, all active in the firm, Sam A. George, president, Sam Junior, central office man, and Samuel B. George, the founder.

telephones. The only way he could get the transmitters and receivers he wanted was to rent them from the company that controlled the patents, installing them in the boxes himself.

As Lexington grew, the Citizens Telephone Company grew with it. A telephone directory dated 1911 lists 354 subscribers, and Mr. George recalls how efforts soon were being made to get him to sell out to the company that had originally bypassed Lexington.

With the passage of years, the Citizens Telephone Company began to experience the gradual deterioration of the old magneto equipment. It not only was obsolete but was wearing out, and replacement became a major requirement. Loan funds were unavailable and nobody in the George family would consider increasing rates. All stock was owned by the family, and they continued to put all earnings back into the company.

By the middle 1940's, Mr. George decided it was time to let the next generation take over management of the company. Somewhat to his surprise the

only one of his five children interested was the son he had considered the least likely prospect —his namesake, Sam. Sam A. George (he uses the shorter form to differentiate between his father and himself) is a graduate of Wofford College, in nearby Spartanburg, where he majored in Latin, later becoming a Latin teacher. He had previously shown no particular interest in telephony. He did share with his father an intense desire to continue serving the community, however, so he agreed to assume control, and in 1946, the second Mr. George became president of the Citizens Telephone Company.

The senior Mr. George and his wife pitched in to help their son in every possible way. In fact, the three of them did all the office work. (President George took the *RURAL LINES* reporter into the office to see the new billing machine and the automatic mailing machine. Beaming on them, he said happily, "These machines are my pride and joy. Every time I look at them I remember the long evenings my father and mother and I used to spend getting out the bills by hand."

This change of presidents merely transferred the greater weight of the problems to a younger pair of shoulders. The postwar inflation of material and labor costs was accompanied by a growing demand for modern, efficient service. In 1947, the company negotiated a \$42,000 loan with an equipment manufacturer, and the next year converted from manual to dial operation. This financial boost helped to a degree, but the money was earmarked for equipment only and didn't allow for expanding and adding new subscribers. So the Citizens Telephone Company still was unable to increase revenues by putting telephones into hundreds of homes where they were wanted.

Sam George noted with great interest in 1949 the passage of the telephone amendment to the Rural Electrification Act. He considered the possibility of applying for a loan, feeling sure that if his company could qualify for an REA loan, it would be able to give the kind of telephone service his community wanted and needed. His father was opposed, saying frankly that he didn't want to go into debt to the government. He finally was persuaded and the application was made in February 1950. At that time, the company had nearly 800 subscribers, more than half rural.

Community interest in the company's loan negotiation with REA was great. Prospects for expansion looked good; 77 percent of the farms in the area were owner-occupied, approximately 60 percent had electric service, and

farm income thereabouts was above the State average. While the loan request was pending, 217 signed applications for telephone service came in, and Mr. George submitted this information to REA. There were repeated testimonials to the high regard in which the company and the George family were held by the people of Lexington. The first REA loan, for \$167,000 was approved on February 15, 1951. It was a great day for the Citizens Telephone Company and for Lexington. The changes and improvements that got under way led to an increase in rates, but even this action was unopposed by the subscribers.

According to President George, the second great day in the new life of his company was in July 1956, when Extended Area Service went into effect. This eliminated long distance charges to Columbia, and has resulted in a marked increase in the number of calls made.

The faith of the George family in the future of Lexington County has been fully justified. The town of Lexington is the county seat. It is located directly on U. S. Highway No. 1, has rail and bus service, and is only 8 miles from the Columbia airport. It isn't surprising that Lexington has become the home of several lumber-mills and food processing firms, a textile mill, and a branch of a nationally known electric appliance manufacturer. A hydro-electric plant on the Saluda River nearby provides power. Lake Murray, only 4 miles away, has become a popular resort for central South Carolina residents.

The Georges have watched the

industry expansion in their county, and the county's evolution as a suburban residential area of Columbia, 12 miles distant. Columbia is South Carolina's capital city, also the home of the University of South Carolina and several other universities and colleges. In addition there is considerable manufacturing activity in the city.

Of great personal satisfaction to the first president of the Citizens Telephone Company has been the continuing interest of his descendants in the telephone business. The third Sam George (Sam A., Jr.) now 23, began early to follow the family tradition. He worked summers for the company, then went to Wofford College (as did his father) and he majored in mathematics. Young Sam performed his military duty in the Signal Corps, then took special training at a telecommunications school in Rochester, N. Y. This young man also is keenly interested in the history of his town, and has had an important part in planning Lexington's Centennial Celebration scheduled for last month. When interviewed by the RURAL LINES reporter, he explained that he was not really unshaven—simply had started to grow the traditional beard.

Young Sam George undoubtedly will be the third president of the Citizens Telephone Company. He is growing in experience as the company grows in service, and as Lexington County increases in population and importance.

Since its first REA loan, the Citizens Telephone Company has been growing at the rate of about

10 percent a year. It is an important part of a growing economy in Lexington County. A plant for the manufacture of slide projectors and photographic equipment is being built, a tire and rubber company soon to locate in the area will employ 300 or so, and a new \$5 million chemical plant—now under construction—probably will have 2,000 employees by the end of 1961. Nearly 600 homes were built in the company's service area during the past 3 years; many more are planned, and the Georges have revised their expected total of subscribers upward—from an original estimate of 2,200 to around 3,900. This REA borrower has enlarged its headquarters building twice in the past 10 years and 2 years ago built a new warehouse and garage.

The three generations of the George family are extremely proud of the telephone service their company furnishes to the residents of Lexington, S. C. It was logical for the first Samuel George to call it the Citizens Telephone Company—he organized it to serve his fellow citizens. When the second Sam George found that flexible financing was needed to save the company, he took the necessary action. He realized that the REA telephone program offered to small independents their best chance of survival, by making it possible for them to replace obsolete equipment and to expand service. And the third Sam George, who has grown up in the business, anticipates eventually heading up a thriving, modern telephone company, planned and built to meet the communications needs of this new decade.



Handsome motel, one of variety of new enterprises opening near Myrtle Beach, a subscriber on co-op lines, is proving a year-round attraction to tourists.

We Sell Service

The Horry Telephone Co-op

“THE Independent Republic of Horry,” that’s the way the folks around Conway, South Carolina, refer to Horry County—and they pronounce it ‘Or-EEE). As they explain it, Horry County is bounded on the north by North Carolina, on the south by the Big Peepee River, on the east by the Atlantic Ocean, on the west by the Little Peepee River. These definite boundaries certainly assure separation, even if not complete autonomy.

And two important “citizens” of this republic are the REA borrowers headquartered in Conway—the Horry Electric Coop-

erative and the Horry Telephone Cooperative. The electric co-op is the older of the two; it was energized on January 7, 1941. Ten years later, on January 18, 1951, rural leaders of the area got together in the office of the electric cooperative and held the telephone co-op organization meeting.

Another point of contact between these two REA borrowers is the fact that H. G. McNeill, president of the telephone cooperative, is also a director of the electric co-op. Otherwise, each is as independent as the so-called republic of Horry itself.

Robert Jamison, manager of



Robert E. Jamison, manager of co-op.

the Horry Telephone Cooperative, expressed the spirit that pervades the entire organization when he recently declared to a RURAL LINES reporter, "We have only one commodity to sell—service. If we don't give that, we're out of business."

REA loans approved to the co-operative, up to January 1, 1961, total \$3,745,000. Right now a big expansion program is under way. When this is completed, the co-op will have more than doubled its subscriber list. In September 1950, there were approximately 2,700 subscribers; 3,500 are to be added. This indicates the growth in population, but there's more to it than this. It's an interesting fact that the residents of Horry County use their telephones more than most people. The number of calls per phone every day is considerably higher than the national average. Consequently more equipment than usual is required to permit more phone calls to go on at the same time. Second, the present facilities are full in most parts of the county, so there's no room to

add more telephones. And third, there are pockets throughout the county where the rural people did not want telephones when they were first available, so no lines were built. Now these people are eager for telephone service, and the co-op intends to supply it.

The co-op's latest loan, \$1,887,000 (August 15, 1960), is making this expansion possible. The greater portion, over \$1,200,000, will go into outside plant; the balance will pay for land, new buildings, and equipment.

Horry County's population increase has affected the co-op's plans for expanding facilities. Summer homes have been built at Red Hill, an attractive residential section rapidly growing up just outside of Conway, along the Waccamaw River. It is steadily increasing in popularity as a year round residential site. Red Hill is typical of the 14 miles of pleasant countryside linking Conway with the beautiful resort of Myrtle Beach and attracting many new residents each year. Some are retired couples, others younger people moving into the area because of the various commercial firms coming in. Modern telephone service is a must to these newcomers, so the establishment of a Red Hill exchange is a natural development.

Another addition to the co-op's system is the Lakewood exchange. This will serve the area around the Myrtle Beach Air Base, reactivated in 1957 as a permanent military installation of the Tactical Air Command. Many new residents in this section are Air Force personnel who have overflowed the base housing unit.

The lure of beach living is

strong in this State with its comparatively mild winters, and the Horry Telephone Cooperative recently has gained many subscribers from Garden City Beach and Glenwood, two developments just south of Myrtle Beach. Several hundred new homes already have gone up, a fine school has been built, also a handsome motel with a swimming pool. In addition, an 80-acre mobile home development called Ocean Pines recently has opened near Garden City. It is attractively landscaped, planned to attract trailerites for long visits. All trailer sites are equipped with facilities for electric power, telephones, water, sewage, even television antenna connections.

To help uphold its high standard of service, much of the cooperative's former aerial plant is going underground. Many subscribers live near the center of so-called "Hurricane Alley," and aerial plant has suffered considerable damage in past years. It is hoped that buried plant not only will benefit subscribers by cutting down on service interruptions, but in the long run will greatly reduce maintenance expenses and labor for the co-op.

The Murrells Inlet, Aynor, Horry, and Loris exchanges also are to be enlarged under the expansion program. In the Loris exchange, for example, there are around 900 subscribers. However, a shirt factory is coming in, offering fresh employment opportunities. With the prospect of new residents and demands for better service, additional land has been purchased and the exchange building will be enlarged. A Loris subscriber recently rem-

inisced that just a few years ago he could drive to nearby Tabor City, hold a 30 minute conversation and drive back home before he could get a telephone call through. It's far different now, however; 12 long-distance conversations can go out of Loris at one time and there's seldom a wait for a toll line.

Bob Jamison and his board of directors constantly work together trying to keep ahead of the demands for service. The organization is a fine representative of progressive, efficient telephone co-op management. Jamison's standing among the telephone managers of his region is high. He is a complete realist regarding the co-op's duty to its members and subscribers, as indicated by his comment quoted at the beginning of this article. He explains that he and the system engineer now are looking 5 years ahead in all plant design. He also declares that rural people no longer are satisfied just to have telephones; they want fewer parties on a line, prompt toll service, reliability all the time. Furthermore, they expect to pay for this; members have accepted with understanding the adjustment and slight advance in rates scheduled for next fall.

It is very evident that this younger member of the REA co-op family in Horry County, the Horry Telephone Cooperative, is following the tradition of service established by its older brother, the Horry Electric Cooperative.

The story of Horry Electric Cooperative's sales promotion Campaign, and of its general policy of service to the community will be told in the next issue of RURAL LINES.

Orwell Adopts Dial System



Miss Daisy Dixon, secretary-treasurer of the company, has helped the firm change from the old-type magnetos to modern dial phones.

NORTHERN Ohio's Grand Valley recently celebrated more than 50 years of continuous telephone service when the Orwell Telephone Company inaugurated its new all-number dialing service with a cutover ceremony on November 6. The Colebrook Exchange completed the second step of the modernization plan 2 weeks later when it cutover to the new system. The system was completed with a cutover ceremony at the nearby exchange in historic Windsor on December 18.

A new functional structure of tan brick and turquoise mosaic now houses the company headquarters in Orwell, behind which once stood the old two-story brown-shingled frame headquarters. The well-lighted, spacious offices attest to the company's dedication to efficient service. Miss Daisy W. Dixon, secretary-

treasurer of the company, explained how the organizers worked hard to serve subscribers well: "The Association was formed in 1904, and we incorporated in 1910. Since then, we have always plowed any profits back into improvement of service. I have some early records here which show the board once turned down a bid on poles quoted at \$1.05 each as being too high. Things have changed quite a bit since then, but we still emphasize good service."

The Company presently has about 1,000 subscribers on its 130 miles of line. A staff of six people services the operations. Manager Donald Pokorny finds the changeover already paying off. "Since cutover," Pokorny stated, "we have already added over 3 percent more subscribers. Presently we are engaged in an in-

tensive campaign to sell our subscribers extension telephones. Many of our older subscribers find the new service helping their business and many of the new industries subscribing to our service find the dial system essential."

One of Orwell's established customers, Mr. Leonard Chaffee, manager and vice president of the Orwell branch of the Farmer's National Bank and Trust Company, lauded the new service. "Now I can pick up my phone and with the touch of a finger reach anyone I want in the country in a few minutes. Of course, we miss the personal touch our 'central' used to give us, but you can't beat this new dial telephone system for fast, efficient service."

Thus the beautiful Grand Valley of Ohio steps out of its historically rich past and joins many other rural communities in the march of telephone progress.



Manager Pokorny pulls switch to cut-over the new, automatic dial system.

This compact structure houses the automatic system for the new Windsor exchange.





A special bank of nine meters records demand and energy used by each appliance.

All-Electric Salesmanship in Ohio

KARL B. CRAWFORD, the general manager of the Lorain-Medina Rural Electric Cooperative of Wellington, Ohio, believes in selling electricity by selling ideas. The latest constructive step in this direction was to build an all-electric demonstration home as a show room for the most advanced equipment. It was first opened to the 1,600 members at their annual meeting in August. During the first 3 months after the opening, over 6,000 individuals, 14 home economic classes, 5 manual training classes, and 13 club groups visited the three-level structure. Each visitor was given a special Silver Anniversary notebook and pencil commemorating the co-op's 25 years of continuous service.

The seven-room house includes two complete heating systems, a baseboard radiant heating system and a heat-pump which also serves as an air-conditioner in warm weather. The kitchen is completely equipped with an electric range and oven, refrigerator and freezer, plug-in appliance counter, portable dishwasher, and home communication system. Throughout the house are several special television plug-in stations, and seven telephone jacks. The basement houses an electric incinerator and

a hot water heater. Outside installations include an electric sewerage filtering plant and a cistern pumping station. Several innovations were incorporated into the house for maximum utility. The washer and dryer were installed in the bathroom, because, according to Mr. Crawford, "that is the logical place." One of the two garages holds an all-electric workshop. Security lights, placed strategically about the yard, operate from special stations in bedroom and kitchen.

Accurate records of the amount of electricity used by each major electric appliance will be kept from a special bank of nine meters, which register both energy used and demand. A master meter records the totals.

What does the co-op plan to do with the house? A co-op employee has contracted to live in it on an experimental basis for a period of 2 years. Besides paying a nominal rent, the family will provide electrically prepared meals twice each month for 45 preselected co-op members and civic leaders, and demonstrate to them the advantages of all-electric living. The house is already promoting electric home heating and cooking to the co-op members, as well as paying dividends in good general public relations.



Special standards provide a well-lit driveway for Lorain-Medina's experimental all-electric demonstration house. Security lamps also floodlight the yard.

Mrs. April Jones peeks into big oven in spacious kitchen equipped with numerous labor-saving appliances. Note also range, hood, purifier.



Snack bar appliance counter has fingertip control center for numerous cooking units.

Mrs. Jones loads washer located with dryer in bathroom.



Michael W. Scanlan Dies

... Headed Largest Co-op



COOPERATIVE rural electrification lost one of its earliest advocates at the close of 1960 in the death of Michael W. Scanlan, president of the Southwest Louisiana Electric Membership Corporation at Lafayette, Louisiana.

He was one of the organizers of the cooperative and had served as its president since it started operation in 1937. He was 77.

Mr. Scanlan saw his electric cooperative grow from a membership of a few hundred to more than 31,000, the Nation's largest.

A few days before his death, Mr. Scanlan had been appointed by President Kennedy to his Natural Resources Advisory Committee. He was also to have been designated by "Progressive Farmer," a national farm publication, as farmer of the year.

The veteran cooperative president was a native of Church Point, Louisiana, where he owned and operated a 400-acre farm. His public service included 45 years as a member of the Acadia Parish Police Jury, 34 years of it as president; chairman of the Acadia Soil Conservation District; board member of the Louisiana Association of Soil Conservation Districts; board member of the Southwest Louisiana Mid-Winter Fair Association; and member of the Louisiana Warehouse Commission.

Ohio Co-op Pays Off REA Loan

THE Delaware Rural Electric Cooperative of Delaware, Ohio, has become the eighth REA borrower to pay off its loan obligation in full from revenues. A check for \$13,256, delivered in December, represented the final payment of principal and interest on the co-op's accumulated \$258,-

000 loan. The cooperative has repaid that amount in full and in addition paid \$86,000 in interest.

The Ohio system—the only borrower to pay off its REA loan in full in 1960—operates 349 miles of line serving 1,519 farm families and other rural consumers in seven central Ohio counties.

Co-op Manager Inspires County Leaders

ONE of the most important things in life is a man's dignity and he can have dignity only if he has the opportunity to earn a living," says G. Leslie Rucker, manager of the Edgecombe-Martin County Electric Membership Corporation. His co-op is located in Tarboro, N. C., on the Tar River in the heart of Edgecombe County and the county seat. The 200-year old town and its suburbs boast 12,000 inhabitants, and the whole of Edgecombe County has about 56,000 people. The co-op serves mainly Edgecombe and Martin Counties, although it has some lines in six others. It is the oldest co-op in North Carolina and one of the first in the country. Its first lines were energized April 17, 1937.

Rucker, who has managed the cooperative for the past 10 years, is a dynamic man with a hand in many of Tarboro's civic activities. He is a leading church layman, is past president of the Rotary Club, was adjutant of the American Legion, belongs to the North Carolina chapter of the Soil Conservation Society of America, and is a member of the Edgecombe County Wildlife Club. But what Rucker likes best is to organize projects. Then, when everyone else jumps on the bandwagon, he quietly withdraws. He helped to organize and served for 2 years as president of the Tarboro Little



Workman ties line on rebuilt double-circuit REA line from sub-station.



Leslie Rucker discusses an office matter with his secretary, Mrs. Peggy Clark.

League; he helped organize the Tarboro Student Aid Association to provide funds to help worthy students pay for their college training. So far, this organization has sent 40 of Tarboro's young people to college. Now, Rucker is vice president of the Edgecombe County Mental Health Association, which he also helped organize.

Rucker, whose many friends call him Les, began thinking about rural development in 1957 and, since with Les Rucker "to think is to act," he brought together some figures on how new industry would affect the people of Tarboro. Armed with this material and the wholehearted co-operation and support of his board of directors, which represents farmers and businessmen and is headed by M. V. Scott, he spoke at several of Tarboro's civic clubs. With his quietly persuasive manner, it did not take him long to interest Clarence Wickham, then Mayor of Tar-

boro, in the project.

"It was about this time," says Les "we learned that Tarboro had missed getting an industry which went to a nearby town, simply because Tarboro did not have a development organization."

Spurred by this, Mayor Wickham accelerated his efforts to bring industry to Tarboro. The Town Council was requested to appropriate \$7,500 a year for 3 years. A Dutch luncheon was held to explain the project and an overwhelming majority of Tarboro's business and professional people turned out.

In presenting the case for development to them, Mayor Wickham said: "We have an unlimited supply of power available, and soon our water plant expansion will be complete. Unless we capitalize on these investments by adding more customers, we are no better off than if things had remained as they were."

Rucker then arose and cited his figures showing what additional industry would mean to local businesses, such as filling stations, auto dealers, food stores, builders, and others.

But more important were what he termed the "intangibles," such as providing employment which would raise the local standard of living; bringing additional young people into the community; and keeping Tarboro's own young people from leaving the area to seek jobs elsewhere.

The business and professional people enthusiastically agreed to support the development plan and to match the funds appropriated by the Town Council. The Tarboro citizens then enlisted the aid of the county and the county

government agreed to contribute \$10,000 a year to further the plan for the 3-year period.

An industrial development board was formed and Les Rucker was made its president. The board's first move was to find a full-time professional man to spearhead its development. He was found on January 1, 1958, in the person of Peyton Beery, a man with wide industrial experience as well as experience in locating sites for industry.

Beery wasted no time. Stressing Tarboro's three big selling points—water, electric power, and an abundance of trainable workers—he set out to attract outside industry. He was remarkably successful. In less than 3 years, three new industries have located at Tarboro. One, which makes plastic toys, employs 350 people. The second, a maker of synthetic pile fabric, employs about 150 workers. The third, a folding paper box com-

pany, first organized a small branch in Tarboro, and has been so satisfied with production costs that it is now negotiating for a large building to house its entire operation.

Further, an idle property—a branch of a national plywood concern that made inexpensive doors—has reopened. Beery arranged with a man in a nearby town to buy the real estate and machinery. This man, who will be selling to a different market, feels certain of success.

In addition, Mr. Beery has found time during his 3-year tenure to nourish existing industries. One Tarboro company, for example, which was organized in 1943 with only 3 workers, now employs 750 people and manufactures farm machinery for national distribution. Because of the improved industrial climate, this firm decided last year to make a capital investment of \$750,000 for plant expansion and

The citizens of Tarboro and Edgecombe County are proud of their hospital, a new, modern brick structure which has been in operation a little over a year.





Mrs. Dolly Cannon runs billing machine which saves many man-hours of labor.

has employed an additional 150 full-time workers. In addition to actual industrial development, Tarboro has voted three bond issues during the last 3 years: \$1.5 million for a new hospital which has been operating a year; \$700,000 for a sewage disposal plant which went into operation last September; and \$1.5 million for schools. This year for the first time Edgecombe County can proudly point out that all its schools are of brick construction. Further, spending for school library books has reached an all-time high of \$10,000 a year.

But what's ahead? In June of this year at another Dutch luncheon, the County of Tarboro agreed to continue the program for 3 more years. Rucker, who is still president, Beery, and the rest of the Tarboro-Edgecombe Development Corporation (it was incorporated as a nonprofit organization in 1959 at which time it expanded its domain to include all Edgecombe County) hope to step up the pace of operations and to prove that "nothing succeeds like success." They are presently negotiating with several additional industries for the

county. At the same time, they are encouraging the people to hatch their own industries to supply other large industries which have recently moved into the State. Their aim is to serve State and even national markets from Tarboro.

They want to make "quality of community" their most important selling point and they will not be happy until every citizen of Tarboro and Edgecombe County is even prouder of his community than he is today—and shows it!

What has the industrial development in and around Tarboro meant to the Edgecombe-Martin co-op? In the past 3 years, the number of consumers has risen from 4,283 to 4,475. This, despite the fact that acreages of both tobacco and cotton—two of the county's major crops—have been down, causing many tenant farmers to leave the area; and the use of a new peanut harvesting machine has resulted in the loss of more tenant farmers. Many new families attracted by industry have moved into the area served by the co-op, offsetting the loss of members occasioned by the exodus of tenant farmers from the county.

With one or more members of many farm families employed in the new industries, more money has been available to buy electrical appliances and to buy the electric power to operate them. Therefore, the average kilowatt-hours per member rose from 189.1 in January 1958 to 206.7 in October 1960.

Thus the story of Les Rucker's part in Tarboro's development can serve as an excellent example of how a co-op manager can better serve his community and, at the same time, his co-op.



AN EASY LOOK AT YOUR

- - Flow of Cash*
- - Reserve Funds*
- - Net Worth*

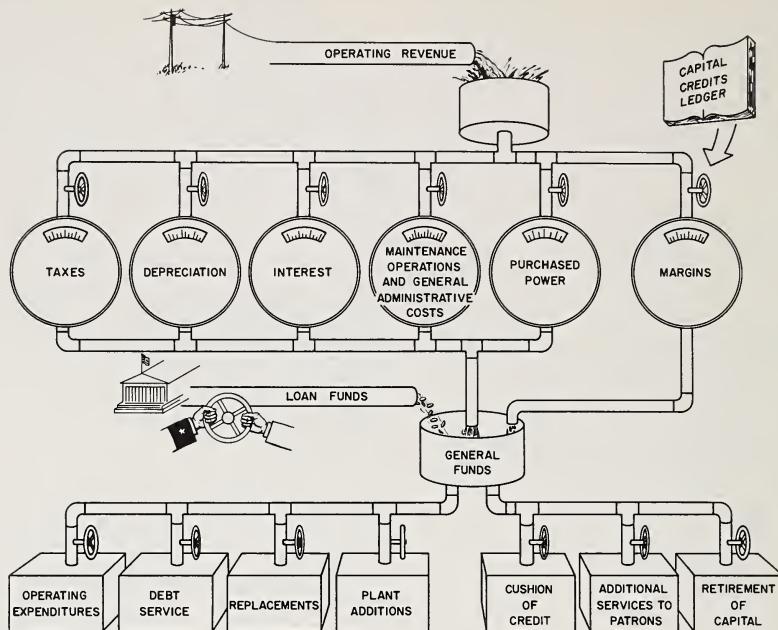
FOR those directors who have not studied accounting, any analysis of the co-op's balance sheet and operating statement may be an occasion of uneasy puzzlement. And yet, directors have to understand the financial position of their business, because the board has as one of its most important responsibilities the preservation of corporate assets. The board must set policies that produce an adequate flow of cash, reasonable reserve funds, and a satisfactory net worth.

Some time ago, the manager of an REA borrower showed us a drawing of tanks, valves, and pipes that made the cash flow of the rural electric co-op easy to understand. Some people will point out that this type of visual presentation glosses over some accounting distinctions. It also has some advantages.

This presentation, then, is for directors and other readers of RURAL LINES who are not professionally trained in accounting but want an easier way to see how money is used in the business.

Let's start at the top of the chart with a large tank into which all the operating revenues flow. These are the payments made by consumers billed for electric service. To keep the illustration simple, nonoperating revenues are not included.

From the "operating revenues" tank a pipeline feeds through six meters below it. The pipe running into each meter is controlled by a valve. These are very special valves for this illustration. They are remote-controlled valves which management can watch through closed circuit TV and operate from a console. The



meters register the amounts passing through each pipe.

Note the labels on these six meters: purchased power; maintenance, operations, and general administrative costs; interest; depreciation; taxes; margins.

All of the operating revenue goes through these six meters. The constant flow of money from operating revenues through the meters and from those meters directly into the "general funds" tank continues throughout the fiscal year.

Money flows through the "margins" meter, over at the righthand end, only if there is some left over after the others register their required amount. Note the capital credits ledger drawn in the upper right corner to show the margins are properly allocated to consumers under a capital credits plan provided in the bylaws.

So far, we have been talking about the business picture of the enterprise—as it would appear on a co-op's operating statement. What we have been looking at is the *accrual* position of the business.

We observe that every dollar that came out of operating revenues flows into the big "general funds" tank at the center of the drawing. At this point we begin to talk about *cash* requirements for operating the business.

There are four tanks where cash *must* go. They are:

(1) Operating expenditures (purchased power; maintenance, operations, and general administrative costs; taxes);

(2) Debt service (interest plus principal payments);

(3) Replacements (on plant already in service); and

(4) Plant additions (lines to take care of additional consumers

and system improvements for continuing load growth).

And on the right side of the illustration there are three tanks where management *can* direct cash flow, *if* there is enough available and *if* the board determines to do so. These tanks are: to establish a cushion of credit on indebtedness (by making advance payments); to provide additional services to consumers (e.g. servicing of appliances, consumer credit loans); and to retire capital.

A particular responsibility of management is to assure the proper level of cash in the general funds tank. REA recommends that the requirements for working capital and contingency funds be determined on the basis of the co-op's experience. There are some well-established guide lines which offer a starting point in estimating the cash needs of the business.

For operating expenditures, management might have in the general funds the amount necessary to cover $1\frac{1}{2}$ months' average operating expenses. Add one quarterly debt service payment. Expenditures for replacement might be allowed for on a longer basis—perhaps enough in general funds to pay for replacements for 1 year, based on previous experience. Since most borrowers are building line on a continuing basis, consideration should be given to anticipated building costs during the next 4-6 months.

The protection given by contingency funds in the event of emergencies is recognized. About

3 percent of plant value, subject to local conditions and the co-op's own experience, might be close to what management selects for contingencies.

Determining what the co-op's cash needs may be and what level of working capital and contingency funds can be justified is a decision for the board and manager to make. REA believes the borrowers have sufficient historical records and guide lines to anticipate their needs for general funds with considerable accuracy. A decision by board and manager to retain liquid funds beyond the needs for working capital and contingency fund requirements carries with it the obligation to justify these amounts.



One feature of this tank-pipe-and-valve illustration that seems especially helpful to many directors is that it shows how dollars continue to flow into general funds at the same time dollars are being drained out of general funds. The tank does not have to be kept brimful, but only filled enough to take care of estimated cash expenditures.

The *assured inflow* of cash is more important than the *amount accumulated* at any one time in general funds. This is the nub of consideration in discussing the co-op's reserves.

Money for contingencies does not have to be kept on deposit in local accounts. One way in which a co-op can take care of reasonable amounts in its general funds tank without laying itself open to criticism is through purchase of the new REA series, 2 percent Treasury bonds. Although they mature in 12 years, they can be cashed in on 30-day notice, and so are almost as readily available as cash.

The assurance that REA has always given a high priority to those loans needed in the event of a major emergency is in itself a form of reserves. A cushion of credit on long-term indebtedness, such as advance payments on REA loans, also is a reserve because it frees the business from

The tank diagram makes clear beyond any possibility of confusion that normally there is no requirement in the financial planning and business affairs of the rural electric co-op for the amassing of large static reserve funds. Any general funds not needed for other purposes should be considered available for investment in the business as system improvements or other additions.

In the drawing of the tanks, the pipeline which brings REA money into the general funds is shown a little differently from the others. This is because Federal loan funds cannot be used for all the purposes shown in the row of tanks at the bottom of the illustration. One that has special importance to the board of directors in financial planning is the realization that money borrowed from the Government *supplements* the amounts which the co-op is able to put into system improvements and plant additions out of its own operating revenues.

Only by keeping its money in the business, can a rural electric enterprise build its net worth to a point where it can claim financial independence. It should be noted here that opening the valve for retirement of capital decreases the co-op's net worth.

The net worth goals, as well as the rate of increase of net worth, are policy determinations for the board to make. Whatever is decided will be closely tied to policy agreed upon by the board for reserve funds and for maintenance of adequate cash flow. All are a part of long-range financial planning and forecasting, essential to every borrower.



the requirement of payments in emergencies. Some co-ops have negotiated short-term bank loans on the basis of operating statements which showed sufficient advance payments on REA loans.

4-H Electric's 25th Birthday

FORTY-SEVEN State winners in the National 4-H Electric Awards Program had nearly everything but the royal red carpet rolled out for them in gala entertainment at the 39th Annual 4-H Club Congress this winter in Chicago. They were honor guests and participants in the celebration that marked the 25th birthday of the National 4-H Electric Awards Program.

Ceremonies opened with a Get Acquainted Ball commemorating the 25th Anniversary. The Ball, a "first" for the electric program, drew 1,400 State winners in about 30 4-H awards programs to the Grand Ball Room of the Palmer House. Here 4-H'ers got acquainted through clever mixers, danced, marveled at 4-foot-high ice sculptures of farm animals, and drank punch from outsize ice bowls. They watched as electric winners took part in a Grand March and flag ceremony and had their names and award-winning accomplishments called out as they stood by their State flags. Other program highlights: crowning of an electric king and queen, welcome by industry greats, cake-cutting ceremony, and professional entertainment.

During 4-H Congress, electric winners went to breakfasts, luncheons, and dinners for other award winners, and to the 25th annual banquet honoring electric winners. Here six national winners of \$400 college scholarships



Rosellyn Phillips and Donnie Yoest show C. V. Roseberry, banquet chairman, gem made in 4-H electric project.

and six alternate winners were named. All State winners received radios from the program sponsor.

Parents of two national winners are electric co-op members. Rosellyn Phillips, Hazelton, Ind., receives electric service from Knox County REMC, Vincennes; and Donnie Yoest, of Tipton, Mo., uses power from Co-Mo Electric Co-op. Other national winners: Clifford Aggen, Camarillo, Calif.; Ricky Panesi, Littleton, Colo.; Joe A. "Butch" Winkler, III, Hammon, La.; Harry McVicker, Van Buren, N. Y.

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